



The Solutions Network

Rochester, New York

O & M What ? ...INCENTIVES! Can they Work?

Roman Piaskoski
GSA – New England

2004

GSA panelist



Why Would GSA Want Contractor Incentives ?

- ❖ Because we are charged with BTU/GSF energy reduction goals !
- ❖ Because we want Contractors to have a stake in how well the systems are kept up, and how well our buildings run.
- ❖ Because we may be able to measure and quantify

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Decisions & Balance

- ❖ How will both parties benefit ?
- ❖ Contracts in Place ...
 - Standard GSA Contract is 5 yrs ...either 3 years with two one year options or some variation
 - FAR Part 16 does allow fixed price contracts with incentives ... based on profit sharing.
 - Can we modify our existing Contracts? ... with mutual equity ?

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Our Current Measurement Capabilities ...

- ❖ BASELINE becomes an issue...it's a moving target
- ❖ We have excellent BTU Consumption data
- ❖ The most common denominator that I could perceive is a three year average

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Questions Need to be Sorted Out & Answered.

- ❖ Who pays?
- ❖ Contractor, Owner, Shared Cost?
- ❖ If Contractor pays ... savings and incentive payments could begin immediately
- ❖ If GSA pays ... incentive payments would begin after payback is achieved

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What Happens if Proposal is accepted at end of or toward end of Contract period?

- ❖ Where does the incentive come from for the Contractor?
- ❖ Answer may be to obligate funds and pay contractor after contract is expired ...IF ... Finance will hold open a Delivery Order for payment

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Would payment even need to be in dollars?

- ❖ Incentive could take form of Contract extension ...

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And Yet Another Pitfall ...

- ❖ GSA could take a non-extension stance and keep savings for ourselves (perceived)
- ❖ Contractor could lay blame on loss of Contract to GSA wanting savings even if that were not the case.

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Perhaps there are other solutions...

- ❖ An Owners IDIQ Contract for Contract close out Commissioning
- ❖ Our Contracts call for close out walk through with owner's Rep
- ❖ Our Contracts also call for 30 day period for new contractor to identify "deficiencies"

» What if ...

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Even That May Set Up Adversarial Dynamics ...

- ❖ What would happen if we set up that same IDIQ contract for system commissioning ...
- ❖ At six months into the contract ...
- ❖ At one year into the Contract ...

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One More Idea ...

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